

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Delta Township District Library	County Eaton
Fiscal Year End December 31, 2007	Opinion Date April 29, 2008	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

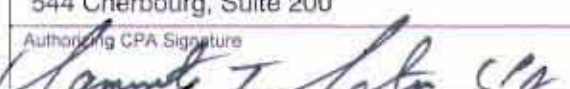
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Maner, Costerisan & Ellis, P.C.		Telephone Number (517) 323-7500	
Street Address 544 Cherboung, Suite 200		City Lansing	State MI
		Zip 48917	
Authorizing CPA Signature 		Printed Name LAMONTE T LATOR	License Number 1101008801

DELTA TOWNSHIP DISTRICT LIBRARY
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED DECEMBER 31, 2007

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Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Delta Township District Library
State of Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Delta Township District Library as of and for the year ended December 31, 2007 which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Delta Township District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Delta Township District Library, State of Michigan as of December 31, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages v through xii and page 13, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Delta Township District Library's basic financial statements. The financial statements and other additional information presented on pages 14 and 15 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The financial statements and other additional information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maner, Costensen & Ellis, P.C.

April 29, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Delta Township District Library (the Library), we offer readers of the Delta Township District Library's financial statements this narrative overview and analysis of the financial activities of the Delta Township District Library for the fiscal years ended Decembers 31, 2007 and 2006.

FINANCIAL HIGHLIGHTS

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$1,307,291 (net assets). Of this amount, \$862,992 (unrestricted net assets) may be used to meet the Library's ongoing obligations to citizens and creditors.
- The Library's total net assets increased by \$770,861 dollars.
- As of the close of the 2007 fiscal year, the Library's governmental fund reported ending fund balance of \$1,089,266, an increase of \$869,145 in comparison with the prior year.
- At the end of the current fiscal year, unrestricted fund balance for the general fund was \$854,261, or 85 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Library's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Library is categorized as a governmental fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide information to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered a major fund.

The Library adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 1 and 2 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3 through 12 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Library's general fund budget on page 13. Additional information can be found on pages 14 and 15 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Library, assets exceeded liabilities by \$1,327,291 at the close of the most recent fiscal year.

A portion of the Library's net assets (14 percent) reflects its investment in capital assets (e.g., library books, furniture and equipment), less any related debt, none at year end, used to acquire those assets that is still outstanding. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Delta Township District Library's Net Assets

	Governmental activities	
	2007	2006
Current and other assets	\$ 2,735,703	\$ 1,674,616
Capital assets	186,031	223,903
Total assets	2,921,734	1,898,519
Other liabilities	1,610,122	1,354,524
Long-term liabilities outstanding	4,321	7,565
Total liabilities	1,614,443	1,362,089
Net assets:		
Invested in capital assets, net of related debt	186,031	223,903
Restricted from capital campaign	258,268	163,182
Unrestricted	862,992	149,345
Total net assets	\$ 1,307,291	\$ 536,430

The unrestricted net assets (\$862,992) may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Library is able to report positive balances in all categories of net assets for its governmental activities.

The Library's net assets increased by \$770,861 during the current fiscal year. The majority of this increase is related to the first year of the property tax levy. Expenses increased primarily relating to salaries and benefits increases, including funding of post employment benefits of \$116,737, and lease expense related to the new library of \$130,906.

Governmental activities. Governmental activities increased the Library's net assets by \$790,861, thereby the governmental activities accounted for 100% of the total increase in the net assets of the Library. Key elements of this increase are as follows:

Delta Township District Library's Changes in Net Assets

	Governmental activities	
	2007	2006
Revenues:		
Program revenues:		
Charges for services	\$ 20,734	\$ 26,327
State aid	33,561	26,710
Penal fines	183,328	141,311
Public contributions	113,842	246,981
Contributions from the Charter Township of Delta		360,000
General revenues:		
Property taxes	1,385,226	
Investment earnings	72,958	7,331
Other	12,717	6,640
Total revenues	<u>1,822,366</u>	<u>815,300</u>
Expenses:		
Culture and recreation	<u>1,051,505</u>	<u>653,043</u>
Increase in net assets	770,861	162,257
Net assets, beginning of year	<u>536,430</u>	<u>374,173</u>
Net assets, end of year	<u><u>\$ 1,307,291</u></u>	<u><u>\$ 536,430</u></u>

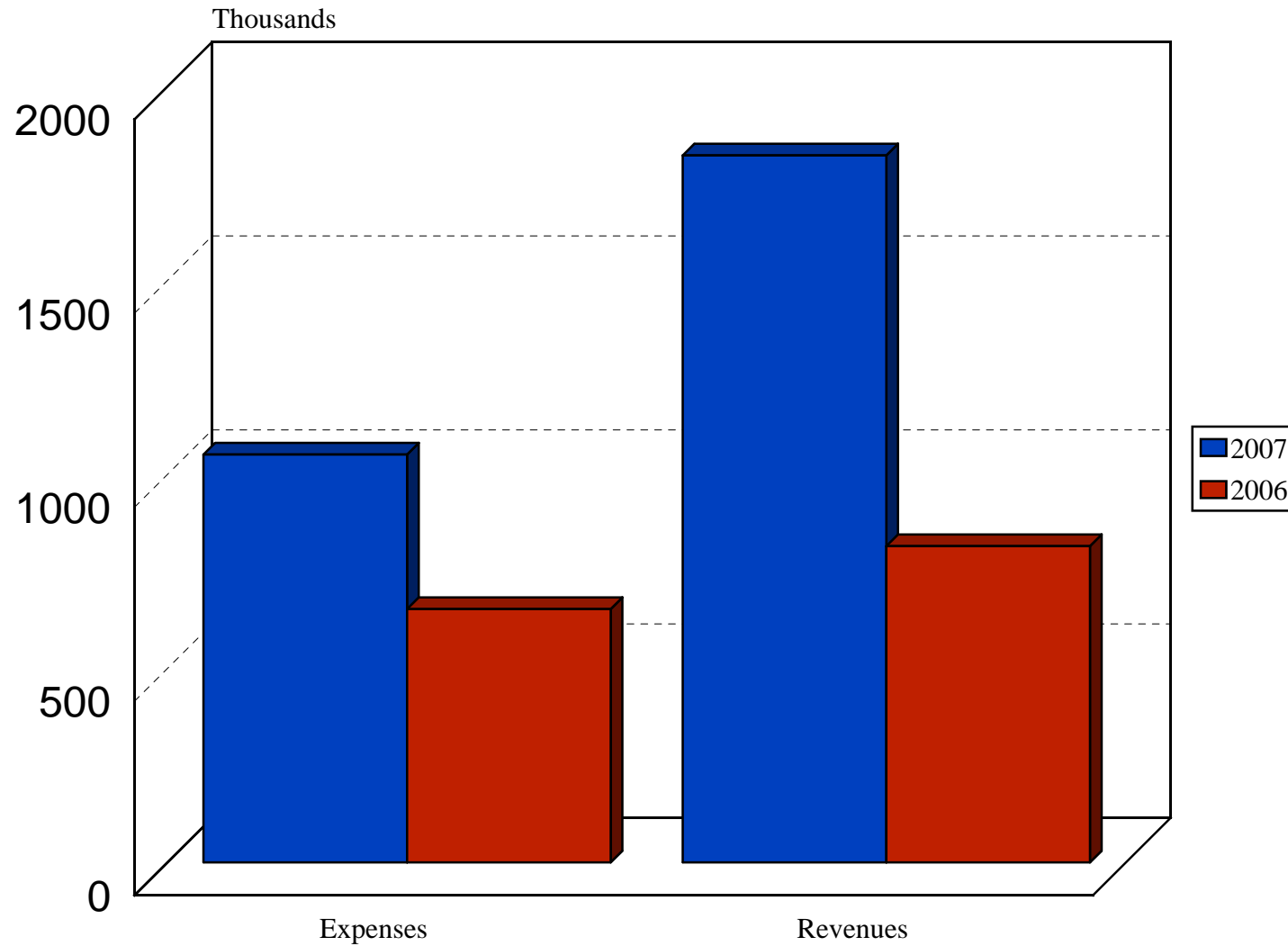
- Program revenues decreased by \$449,864 (56 percent) during the year. Most of this decrease is due to the Township no longer funding the Library, as well as the decrease in public contributions.
- Overall government activities revenue is up \$1,007,066 from prior year. The majority of the increase is due to receiving property taxes. In 2006 the residents approved an operating levy in which 2007 was the first year of property tax collection.

Financial Analysis of the Government's Funds

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of the Library's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

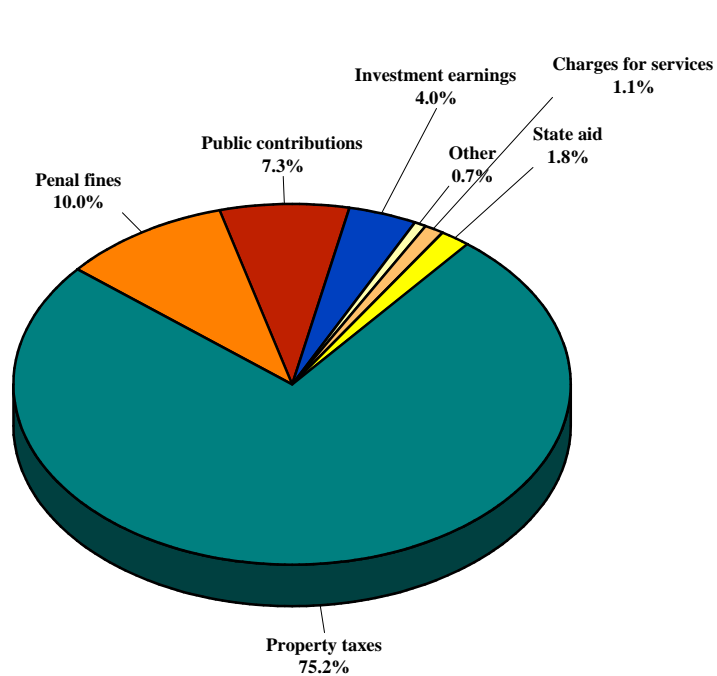
Delta Township District Library
Expenses and Revenues - Governmental Activities
December 31,



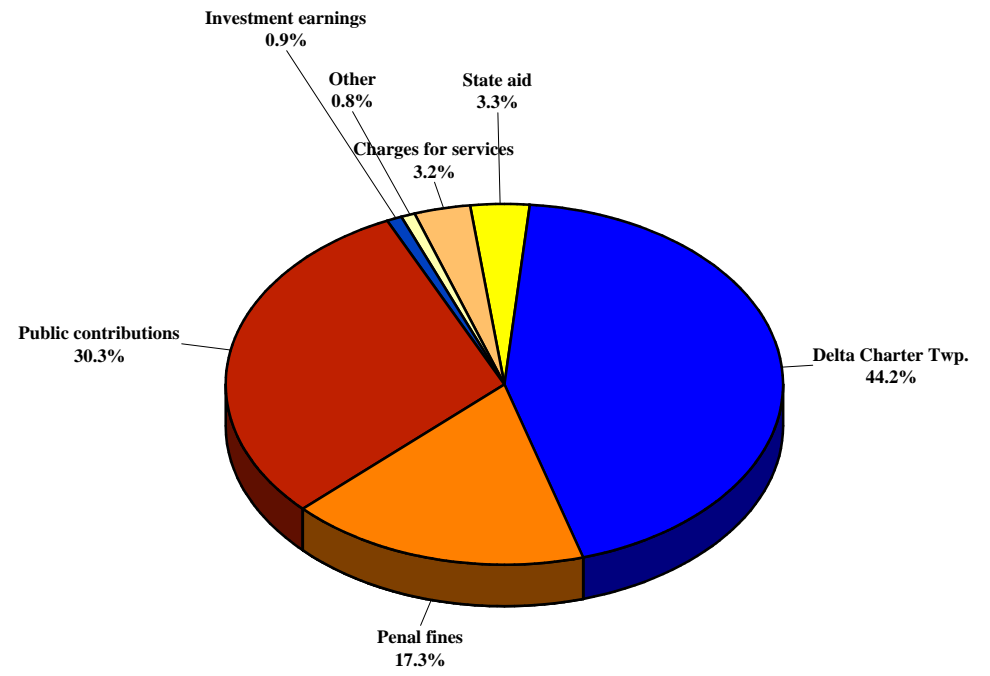
Delta Township District Library

Revenues by Source - Governmental Activities

December 31



2007



2006

As of the end of the current fiscal year, the Library's governmental fund reported combined ending fund balance of \$1,089,266, an increase of \$869,145 in comparison with the prior year. Approximately 78% of this total amount (\$854,261) constitutes *unrestricted fund balance*, which is available for spending at the Library's discretion. The remainder of fund balance is restricted, reserved, or designated to indicate that it is not available for new spending because it has already been committed to 1) capital campaign (\$197,637), 2) prepaid contracted services (\$8,731), or 3) for compensated absences (\$28,637).

The general fund is the chief and only operating fund of the Library. At the end of the current fiscal year, unrestricted fund balance of the general fund was \$854,261, while total fund balance reached \$1,089,266. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unrestricted fund balance represents 85 percent of total general fund expenditures, while total fund balance represents 108 percent of that same amount.

The fund balance of the Library's general fund increased by \$869,145 during fiscal year 2007. Key factors in this increase are as follows:

- Increased contributions for the Library project.
- 2007 was the first year property tax revenue was recognized by the Library
- Increased penal fines

General Fund Budgetary Highlights

- The budget for appropriations increased approximately \$76,150 from the original budget to the final amended budget. The increase in appropriations was offset by an increase in the budgeted amount for penal fines and investment income. The main increase for appropriations is due to making a contribution for other post employment benefits.

Capital Asset and Debt Administration

Capital assets. The Library's investment in capital assets for its governmental activities as of December 31, 2007, amounts to \$186,031 (net of accumulated depreciation). This investment in capital assets includes library books, audio, furniture and equipment. The total decrease in the Library's investment in capital assets for the current fiscal year was 17 percent.

Major capital asset events during the current fiscal year included the following:

- New library books
- New computers

Delta Township District Library's Capital Assets
(net of depreciation)

	Governmental activities	
	2007	2006
Library books	\$ 164,155	\$ 211,060
Furniture and equipment	21,876	12,843
	<u>\$ 186,031</u>	<u>\$ 223,903</u>

Additional information on the Library's capital assets can be found in Note 4 on page 9 of this report.

Long-term debt. At the end of the current fiscal year, the Library had total long-term debt outstanding of \$28,637. This represents compensated absences earned but not used as of year end.

Delta Township District Library's Outstanding Debt

	Governmental activities	
	2007	2006
Compensated absences	\$ 28,637	\$ 20,893

The Library's total debt increased by \$7,744 (37 percent) during the current fiscal year.

Additional information on the Library's long-term debt can be found in Note 5 on page 9 of this report.

Economic Factors and Next Year's Budgets and Rates

Delta Township District Library's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Library has a conservative and financially prudent budget for the fiscal year 2008 that will promote several of the Library's activities and programs.

Requests for Information

This financial report is designed to provide a general overview of the Delta Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Delta Township District Library, 7710 West Saginaw Highway, Lansing, MI 48917-9712.

BASIC FINANCIAL STATEMENTS

DELTA TOWNSHIP DISTRICT LIBRARY
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Balance sheet general fund modified accrual basis	Adjustments	Statement of net assets
CURRENT ASSETS:			
Cash	\$ 359,564	\$	\$ 359,564
Investments	1,132,884		1,132,884
Receivables:			
Accounts	60,631		60,631
Taxes	967,932		967,932
Interest	8,324		8,324
Prepaid expenses	8,731		8,731
Restricted cash - capital campaign	197,637		197,637
TOTAL CURRENT ASSETS	2,735,703		2,735,703
CAPITAL ASSETS , net of accumulated depreciation		186,031 ⁽¹⁾	186,031
TOTAL ASSETS	<u>\$ 2,735,703</u>	<u>186,031</u>	<u>2,921,734</u>
CURRENT LIABILITIES:			
Accounts payable	\$ 14,319		14,319
Accrued payroll, taxes and withholding	17,782		17,782
Deferred revenue - taxes and contributions	1,614,336	(60,631) ⁽³⁾	1,553,705
Current portion of compensated absences		24,316 ⁽²⁾	24,316
TOTAL CURRENT LIABILITIES	1,646,437	(36,315)	1,610,122
NONCURRENT LIABILITIES:			
Compensated absences, less current portion		4,321 ⁽²⁾	4,321
TOTAL LIABILITIES	1,646,437	(31,994)	1,614,443
FUND BALANCE/NET ASSETS:			
Invested in capital assets net of related debt		186,031	186,031
Restricted from capital campaign	197,637	60,631	258,268
Reserved for prepaid expenditures	8,731	(8,731)	
Designated for compensated absences	28,637	(28,637)	
Unrestricted	854,261	8,731	862,992
TOTAL FUND BALANCE/NET ASSETS	1,089,266	<u>\$ 218,025</u>	<u>\$ 1,307,291</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,735,703</u>		

⁽¹⁾ Capital assets used in governmental activities are not financial resources and are not reported under the modified accrual basis of accounting.

⁽²⁾ Compensated absences are not due and payable in the current period and are not reported under the modified accrual basis of accounting.

⁽³⁾ Contributions not collected within 60 days from year-end are not available to pay for current period expenditures, and therefore are deferred under the modified accrual basis of accounting and recognized under the full accrual method.

DELTA TOWNSHIP DISTRICT LIBRARY
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007

	Statement of revenue, expenditures and changes in fund balance general fund modified accrual basis	Adjustments	Statement of activities
REVENUES:			
Property taxes	\$ 1,385,226	\$	\$ 1,385,226
State aid	33,561		33,561
Penal fines	183,328		183,328
Charges for services	20,734		20,734
Investment income - net	72,958		72,958
Public contributions	166,510	(52,668) ⁽³⁾	113,842
Other	12,717		12,717
Total revenues	1,875,034	(52,668)	1,822,366
EXPENDITURES:			
Current:			
Culture and recreation:			
Salaries and employee benefits	551,629	7,744 ⁽¹⁾	559,373
Books and supplies	151,151	(46,319) ⁽²⁾	104,832
Lease expense	130,906		130,906
Contractual services	56,203		56,203
Telephone and utilities	25,555		25,555
Repairs and maintenance	3,660		3,660
Insurance	24,024		24,024
Printing	2,647		2,647
Education and training	9,414		9,414
Membership dues	13,419		13,419
Depreciation		100,444 ⁽²⁾	100,444
Capital outlay	17,035	(16,253) ⁽²⁾	782
Capital campaign expense	7,095		7,095
Miscellaneous	13,151		13,151
Total expenditures	1,005,889	45,616	1,051,505
Net change in fund balance/net assets	869,145	(98,284)	770,861
FUND BALANCE/NET ASSETS, beginning of year	220,121	316,309	536,430
FUND BALANCE/NET ASSETS, end of year	<u>\$ 1,089,266</u>	<u>\$ 218,025</u>	<u>\$ 1,307,291</u>

⁽¹⁾ Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental fund. The adjustment represents the change of the year end liability compared to the prior year.

⁽²⁾ Governmental funds report capital assets as expenditures in the statement of revenues, expenditures and changes in fund balances. In the statement of activities these expenditures are capitalized and depreciated over their estimated useful lives.

⁽³⁾ Governmental funds report revenue as being available within a reasonable amount of time after the year end, typically 60 days. In the statement of activities these revenues are recognized as revenue when they are measurable.

DELTA TOWNSHIP DISTRICT LIBRARY NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter Township of Delta and the Waverly Community Schools entered into a District Library agreement March 9, 1998 under the provisions of Act 24, Michigan Public Acts of 1989, as amended. The Library Board determined the library shall be known as the Delta Township District Library. The District Library serves the residents of the Charter Township of Delta and the residents served by the Waverly Community Schools. A six-member board serves the District Library, four appointed by the Charter Township of Delta and two by the Waverly Community Schools.

The accompanying financial statements present the activity for which the government considers itself financially accountable. The Library is not included as a component unit in any other primary government's financial statements. Based on the significance of any operations or financial relationships with the Library, there are no component units to be included in these financial statements.

A. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the primary government unit.

The Library utilized the financial statement format recommended by the State of Michigan for special purpose entities engaged only in governmental activities.

The Library maintains only one fund, the general fund, which is accounted for as a governmental fund.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements (the statement of net assets and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements (the balance sheet and statement of revenue, expenditures and changes in fund balances) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Library reports the following major governmental fund:

The *general fund* is the Library's primary operating fund. It accounts for all financial resources of the general government. There are no resources required to be accounted for in another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets or Equity

1. Cash and Investments

Cash includes amounts in petty cash and demand deposits. Investments include instruments allowed by state statute subsequently described. Investments are carried at amortized cost or fair value.

State statutes authorized the Library to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The Library is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets or Equity (Concluded)

The Library participates in the Charter Township of Delta's retirement system. The investments are held in trust by the investment fiduciary, ICMA Retirement Corporation. Michigan Compiled Laws, Section 38.1132, authorizes the Charter Township of Delta's retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contract obligations of a specified nature, and real or personal property.

2. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

3. Capital Assets

Capital assets, which include furniture, equipment, and library books, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The total of books purchased during the year are capitalized and are depreciated over five years. The Library has elected not to capitalize rare books. Fully depreciated books are removed from the asset schedule. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Library, are depreciated using the straight-line method over the following estimated useful live:

Assets	Years
Library books	5
Furniture and equipment	5

4. Compensated Absences

It is the Library's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick leave, which will be paid to employees upon separation from the Library. All vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

5. Fund Equity

In the fund financial statements, the governmental fund may report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2 - LEGAL COMPLIANCE - BUDGETS

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year-end. Any variances from the adopted budget are highlighted on page 13.

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to September 1 of each year, a proposed budget is submitted to the Library Board for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to December 31 the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Library Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. Budgets for the general fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted, or as amended by the Library Board during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS

As of December 31, 2007 the Library had the following investments.

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's rating	%
U.S. Treasury Notes	\$ 85,126	3.4073	AAA	10.5%
Commercial Paper exceeding 5%:				
UBS Financial, LLC	194,292	0.1441	A1+	24.0%
General Electric	116,513	0.0601	A1+	14.4%
Commercial Paper	22,858	0.0145	A1+	2.8%
Commercial Paper	11,459	0.0003	A1	1.4%
U.S. Agency Loans	317,311	2.8921	AAA	39.3%
Mortgage Backed Securities:				
U.S. Agency	15,762	18.8576	AAA	2.0%
Corporate	35,476	8.0603	AA+	4.4%
Other	836	19.3014	Not rated	0.1%
MBIA External Investment Pool - CLASS	8,432	0.0027	Not rated	1.1%
Total fair value	<u>\$ 808,065</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>2.2803</u>		

1 day maturity equals 0.0027, one year equals 1.00

The Library voluntarily invests excess funds in pooled short term investment funds which included money market funds. One of the pooled investment funds utilized by the Library is MBIA. MBIA is an external pooled investment fund of "qualified" investments for Michigan townships. MBIA is not regulated nor is it registered with the SEC. MBIA reports as of December 31, 2007, the fair value of the Library's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the Library will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Library's cash requirements.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Concluded)

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of December 31, 2007, \$781,920 of the Library's bank balance of \$882,020 was exposed to custodial credit risk because it was uninsured and uncollateralized. Certificate of deposits and money market accounts are included in the above totals.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Library will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Library will do business.

Foreign currency risk. The Library is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits	\$ 882,020
Investments	<u>808,065</u>
	<u><u>\$ 1,690,085</u></u>

The above amounts are reported in the financial statements as follows:

Cash	\$ 359,564
Restricted cash - capital campaign	197,637
Investments	<u>1,132,884</u>
	<u><u>\$ 1,690,085</u></u>

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

The capital assets for the year ended December 31 was as follows:

	Balance December 31, 2006	Additions	Deletions	Balance December 31, 2007
Primary government:				
Governmental activities:				
Capital assets being depreciated:				
Library books	\$ 760,278	\$ 46,319	\$(272,795)	\$ 533,802
Furniture and equipment	66,939	16,253		83,192
Total capital assets, being depreciated	827,217	62,572		616,994
Less accumulated depreciation for:				
Library books	549,218	93,224	(272,795)	369,647
Furniture and equipment	54,096	7,220		61,316
Total accumulated depreciation	603,314	100,444		430,963
Total capital assets, being depreciated, net	\$ 223,903	\$ (37,872)	\$ -	\$ 186,031

Depreciation expense amounted to \$100,444.

NOTE 5 - LONG-TERM DEBT

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
Compensated absences	\$ 20,893	\$ 7,744	\$	\$ 28,637	\$ 24,316

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PROPERTY TAX REVENUE

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Library bills and collects its own property taxes. Library tax revenues are recognized in the fiscal year following the December 1 levy date. Property taxes levied for the ensuing year's revenue are included in taxes receivable and deferred revenue. Property tax receivables related to delinquent taxes are also deferred unless collected within 60 days of year-end.

The residents of the Township library have approved a \$1.00 per \$1,000 of taxable value millage specifically for the 2007 operation of the library.

NOTE 7 - PENSION PLANS

Money Purchase Retirement Plan

The District Library employees, who are employed by the Charter Township of Delta, participate in the Charter Township of Delta's Money Purchase Retirement Plan. This defined contribution plan covers all full time employees and elected officials who have attained the age of eighteen years. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus results of investments transactions. The plan assets are invested by ICMA Retirement Corporation who is the trustee of the plan. The Township acts as a public plan sponsor for the retirement plan. Partial vesting occurs after three years of service at 20% and increases 20% per year until full vesting occurs at seven years of service. The Library contributes 12.5% of the employees' base annual compensation, based on the contribution provisions set up in the plan and trust agreement. The Library made the required contributions of \$20,470. No significant employee contributions were made. Plan provisions and contribution requirements are established and may be amended by the Township.

Deferred Compensation Plan

The Library also participates in the Township's deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, which is available to substantially all Library employees, permits them to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Plan assets are held in trust for the exclusive benefit of participating employees and are not assessable by the government or its creditors.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits and deferred compensation plan described in Note 7, the Library through the Township, provides post employment health care benefits to all employees who retire from the Library with a minimum ten years of service based on the schedule of shared participation rates. The Library's share of costs ranges from 25% for those employees with ten years of service to 100% for those with 25 years of service. The Library contributed \$116,737 to the Township's post employment benefit trust fund for the year ending December 31, 2007.

The Government Accounting Standards Board has recently released Statement Number 45, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended December 31, 2009

NOTE 9 - RELATED PARTY TRANSACTION

The Charter Township of Delta appoints representatives on the board of the Library. The Township provides administration and maintenance services to the Library which amounted to \$25,987 and \$24,024, for the year ending December 31, 2007, respectively. The Library leases its facilities from the Township. See Note 11.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance through the Township to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2007 or any of the prior three years.

**DELTA TOWNSHIP DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - LIBRARY CONSTRUCTION

The Charter Township of Delta has issued general obligation bonds totaling \$7,300,000 for the purpose of constructing a building to be utilized by the Delta Township District Library as a library. In April 2007, the Township and the Library entered into a thirty-five year lease with lease payments corresponding to the payment terms of the aforementioned bonds plus, after the bonds are paid, \$1 a year during the remainder of the lease term. The bonds are scheduled to be paid thru 2037.

Year ending December 31,	
2008	\$ 314,175
2009	412,050
2010	407,800
2011	403,613
2012	399,550
2013 - 2017	2,033,750
2018 - 2022	2,266,750
2023 - 2027	2,156,325
2028 - 2032	2,550,000
2033 - 2037	2,679,000
	<u>\$ 13,623,013</u>

The building is expected to be completed in mid-2008. The building will be a capital lease when placed into service.

During 2007 the Library paid the Charter Township of Delta \$130,906 for rental of the facilities.

NOTE 12 - USE OF ESTIMATES

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

REQUIRED SUPPLEMENTARY INFORMATION

**DELTA TOWNSHIP DISTRICT LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2007**

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance positive (negative)</u>
REVENUES:				
Local sources:				
Property taxes	\$ 1,386,100	\$ 1,386,100	\$ 1,385,226	\$ (874)
Penal fines	130,000	185,000	183,328	(1,672)
Charges for services	23,600	23,600	20,734	(2,866)
Investment income - net	2,000	23,150	72,958	49,808
Public contributions	2,500	2,500	166,510	164,010
Other	3,000	3,000	12,717	9,717
Total local sources	1,547,200	1,623,350	1,841,473	218,123
State sources	20,000	20,000	33,561	13,561
Total revenues	1,567,200	1,643,350	1,875,034	231,684
EXPENDITURES:				
Current:				
Culture and recreation	942,453	1,018,603	1,005,889	12,714
NET CHANGE IN FUND BALANCE	<u>\$ 624,747</u>	<u>\$ 624,747</u>	869,145	<u>\$ 244,398</u>
FUND BALANCE:				
Beginning of year			220,121	
End of year			<u>\$ 1,089,266</u>	

ADDITIONAL INFORMATION

**DELTA TOWNSHIP DISTRICT LIBRARY
GENERAL FUND
BALANCE SHEETS
DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
ASSETS:		
Cash	\$ 359,564	\$ 74,873
Investments	1,132,884	475,248
Receivables:		
Accounts	60,631	113,332
Taxes	967,932	798,539
Interest	8,324	3,431
Due from other governmental units		150,365
Prepaid expense	8,731	8,945
Restricted cash - capital campaign	<u>197,637</u>	<u>49,883</u>
TOTAL ASSETS	<u><u>\$ 2,735,703</u></u>	<u><u>\$ 1,674,616</u></u>
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	\$ 14,319	\$ 13,934
Accrued payroll, taxes and withholding	17,782	
Deferred revenue - taxes and contributions	<u>1,614,336</u>	<u>1,440,561</u>
TOTAL LIABILITIES	<u>1,646,437</u>	<u>1,454,495</u>
FUND BALANCE:		
Restricted from capital campaign	197,637	49,883
Reserved for prepaid expenses	8,731	8,945
Designated for compensated absences	28,637	20,893
Unrestricted	<u>854,261</u>	<u>140,400</u>
TOTAL FUND BALANCE	<u>1,089,266</u>	<u>220,121</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,735,703</u></u>	<u><u>\$ 1,674,616</u></u>

**DELTA TOWNSHIP DISTRICT LIBRARY
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
REVENUES:		
Property taxes	\$ 1,385,226	\$
State aid	33,561	26,710
Penal fines	183,328	141,311
Charges for services	20,734	26,327
Investment income - net	72,958	7,331
Public contributions	166,510	133,682
Contributions from the Charter Township of Delta		360,000
Other	<u>12,717</u>	<u>6,640</u>
Total revenues	<u>1,875,034</u>	<u>702,001</u>
EXPENDITURES:		
Current:		
Culture and recreation:		
Salaries and employee benefits	551,629	363,059
Books and supplies	151,151	131,159
Lease expense	130,906	
Contractual services	56,203	24,927
Telephone and utilities	25,555	18,127
Printing	3,660	1,646
Repairs and maintenance	24,024	
Insurance	2,647	
Education and training	9,414	7,937
Membership dues	13,419	3,967
Capital outlay	17,035	10,851
Capital campaign expense	7,095	61,198
Miscellaneous	<u>13,151</u>	<u>8,342</u>
Total expenditures	<u>1,005,889</u>	<u>631,213</u>
Net change in fund balance	869,145	70,788
FUND BALANCE, beginning of year	<u>220,121</u>	<u>149,333</u>
FUND BALANCE, end of year	<u><u>\$ 1,089,266</u></u>	<u><u>\$ 220,121</u></u>



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raack
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis
James A. McNeeley

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

April 29, 2008

To the Library Board
Delta Township District Library
Lansing, Michigan

We have audited the financial statements of Delta Township District Library for the year ended December 31, 2007, and have issued our report thereon dated April 29, 2008. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated February 6, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

2. Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing.

3. Significant Audit Findings

a. *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Delta Township District Library are described in Note 1 to the financial statements. The Library adopted GASB #43 on January 1, 2007. No other accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by Delta Township District Library during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were estimated liability for compensated absences and depreciable lives of capital assets.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the pension plan in note 7 and the other post employment benefits in note 8 to the financial statements describes that the contributions are determined on an actuarial valuation.

b. *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

c. *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

d. *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

e. *Management Representations*

We have requested certain representations from management that are included in the management representation letter.

To the Library Board
Delta Township District Library
Lansing , Michigan

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April 29, 2008

f. *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

g. *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Delta Township District Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Library Board and management of Delta Township District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Maner, Costantino & Ellis, P.C.